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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000316

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SUBJECT: FOREIGN MINISTER MAMMADYAROV'S TRIP TO KAZAKHSTAN

Classified By: DCM Jason P. Hyland Derse for reasons 1.4 (b, d)

¶1. (C) Summary: During a February 27-28 visit to Kazakhstan, Azerbaijani Foreign Minister Elmar Mammadyarov signed agreements on visa-free travel and a strategic partnership; he also discussed Trans-Caspian energy cooperation and the Baku-Tbilisi-Kars railroad project. Official statements expressed only the "interest" and desire of both countries to further study the financial and technical aspects of a trans-Caspian gas pipeline. MFA Director of First Territorial Department Rahman Mustafayev told emboffs that the Kazakhs "are ready, but are very cautious" regarding Trans-Caspian energy cooperation, due to the importance of maintaining good relations with Russia and China. Kazakhstanian Embassy Counselor Yerzhan Mukash told us that Kazakhstan is "very interested" in sending Kazakhstanian gas to European markets, while cautioning that this is not a "political issue," but a "technical and economic issue" that needed to be addressed by "experts." End Summary.

#### Background

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¶2. (SBU) Foreign Minister Elmar Mammadyarov visited Kazakhstan on February 27-28. Mammadyarov met with President Nazarbayev, newly appointed Foreign Minister Mara Tajin, Prime Minister Kerim Mesimov, and Senate leader Kasimjomart Tokayev, according to local press. According to press reports, two agreements were signed during the visit. The first agreement extends a 1997 intergovernmental agreement on visa-free travel for both countries' citizens. The second agreement involved an exchange of documents to ratify a May 2005 bilateral strategic partnership accord. Apart from these two agreements, local press reported that the visit focused on energy cooperation and Kazakhstan's participation in the Kars-Akhalkalaki-Tbilisi-Baku railroad project, now renamed the Baku-Tbilisi-Kars (BTK) railroad.

#### Public Statements on Trans-Caspian Pipeline

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¶3. (SBU) A review of official statements indicates both sides were only comfortable publicly acknowledging their "interest" and desire to further study the financial and technical aspects of a trans-Caspian gas pipeline. After meeting with Nazarbayev, Mammadyarov was quoted by RIA Novosti as saying, "There was discussion of gas deliveries. As is known, Azerbaijan will launch the Baku-Tbilisi-Erzurum gas pipeline this year. The Kazakh side has expressed interest in this pipeline." Mammadyarov also reportedly

commented that experts need to study several issues, including tariffs, customs duties, and other technical parameters, according to the same RIA Novosti report. Interfax quoted Mammadyarov as stating, "There are several ideas how to deliver (Kazakh) gas to international markets. This issue is on the agenda, but it is too premature to say exactly which of these (options) will be chosen."

¶4. (SBU) Azerbaijani press also reported that Mammadyarov said Nazarbayev had chosen the "right strategy" and "establishing his (Nazarbayev's) policy on ways of many routes, he actually provides a platform for the strengthening of his country and its sovereignty." Kazakh Energy and Mineral Resources Minister Baktykozha Izumkhambetov adopted a more conservative tone while commenting on the energy discussions. Izumkhambetov reportedly said that Kazakhstan's position on a trans-Caspian gas pipeline is that the project cannot be put into effect without the consent of all five Caspian littoral nations, according to Interfax.

#### MFA Perspective

¶5. (C) Rahman Mustafayev -- director of the Azerbaijani MFA's First Territorial Department, who accompanied Mammadyarov on his visit -- discussed the visit with emboffs on March 14. Summarizing the prospects for enhanced Kazakhstan-Azerbaijani energy cooperation, Mustafayev said the Kazakhs "are ready, but are very cautious," because of Kazakhstan's complex geopolitical setting adjacent to Russia and China. Mustafayev said that although Astana is "open to sending oil shipments" through Azerbaijan to Europe, there have been no concrete results in a bilateral commission to address this issue. Mustafayev noted that on a trans-Caspian

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gas project, the Kazakhs are "very reserved." Reflecting Kazakhstan's need to manage relations with its more powerful neighbors, Mustafayev said that his departmental counterpart in the Kazakhstani MFA listed Kazakhstan's foreign priorities in descending order as Russia, China, US, EU, and Central Asian and Caspian basin countries. Despite the lack of concrete progress, Mustafayev said that Azerbaijan was very interested in partnering with Kazakhstan on energy issues, and we "feel they (Kazakhstan) are interested."

#### Kazakhstani Embassy Readout

¶6. (C) Commenting on the significance of Mammadyarov's visit, Kazakhstani Embassy Counselor Yerzhan Mukash mentioned the above-noted two agreements, while acknowledging that there had been some discussion on energy transportation and Kazakhstan's participation in the Baku-Tbilisi-Kars railroad. He observed that the key bilateral interest was energy transportation. In response to our question about the status of bilateral energy discussions, Mukash said Kazakhstan is "very interested" in sending its gas to European markets. Mukash cautioned, however, that sending Kazakh gas to Europe was not a "political issue," but a "technical and economic issue" that needed to be addressed by "experts." Mukash emphasized that Kazakhstan does not view this as a political issue and seeks to avoid energy transit discussions being portrayed in a political light.  
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